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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re application of:

CASSANDRA J. MOLLETT et al.

Serial No.: 09/474,576

Filed: December 29, 1999

For: System and Method of Determining Collectability in a Distributed Negative File

Attorney Docket No.: FDC 0140 PUS

Group Art Unit: 3627

Examiner: Andrew J. Rudy

**APPEAL BRIEF**

Mail Stop Appeal Brief - Patents  
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Sir:

This is an appeal brief from the final rejection of claims 9-16 of the Office Action dated May 27, 2003. This application was filed on December 29, 1999.

**I. REAL PARTY IN INTEREST**

The real party in interest is First Data Corporation, a corporation organized and existing under the laws of the state of Delaware, and having a place of business at 401 Hackensack Avenue, Hackensack, New Jersey, 07601, as set forth in the assignment recorded in the U.S. Patent and Trademark Office on April 21, 2000, at Reel 010769/Frame 0422.

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**II. RELATED APPEALS AND INTERFERENCES**

There are no appeals or interferences known to Appellants, the Appellants' legal representative, or Assignee which will directly affect or be directly affected by or have a bearing on the Board's decision in the pending appeal.

**III. STATUS OF CLAIMS**

Claims 9-16 are pending in this application. Claims 9-16 have been rejected and are the subject of this appeal.

**IV. STATUS OF AMENDMENTS**

No amendment after final rejection has been filed.

**V. SUMMARY OF THE INVENTION**

Checks are frequently used as a method of payment. Merchants attempt to protect themselves from check writers with a negative history of writing checks that have been returned for insufficient funds. Such "bad" or fraudulent check writers typically write checks that are not collectible. Merchants sometimes refer to a computer database having a distributed negative file containing names or other identifiers of check writers whom have been labeled as "negative check writers" based on historical check writing information. The distributed negative files allow the merchant to determine whether to approve or deny a check from a check writer.

In use, a cashier can manually enter information or swipe a check to access the distributed negative file. If the customer's name, bank account number, or identification is included within the distributed negative file, the check is typically denied. However, because the distributed negative file typically includes negative historical check writing information of

a great number of check writers, some "good" customers may be denied from writing checks. This is undesirable for the merchant and especially for the "good" customer. The merchant may lose the purchase if the customer is not allowed to write a check. Additionally, the merchant may suffer a loss of business from that particular customer due to the incident.

The present invention addresses this problem by classifying individual check writers in one of a plurality of predetermined categories. The negative file is modified by removing negative information of individual check writers classified within a predetermined set of the categories and retaining negative information of the individual check writers not classified within the predetermined set. Individual check writers classified within a predetermined set of categories are labeled as collectible. A system for carrying out the invention is illustrated in Figure 1 and includes a host computer 12 having a microprocessor 14 operative to access a database 16 having distributed negative file 18 and scrubbed file 20.

## VI. ISSUES

1. Whether claims 9-13 are properly rejected under 35 U.S.C. § 101.
2. Whether claims 9-16 are properly rejected under 35 U.S.C. § 103(a) over U.S. Patent No. 5,679,940 to Templeton *et al.*

## VII. GROUPING OF CLAIMS

Group A: Claims 9-13 are grouped to stand or fall together.

Group B: Claims 14-16 are grouped to stand or fall together.

### **VIII. ARGUMENT**

In the final Office Action dated May 27, 2003, the Examiner rejected claims 9-13 under 35 U.S.C. § 101 as directed to non-statutory subject matter. The Examiner rejected claims 9-16 under 35 U.S.C. § 103(a) as being unpatentable over U.S. Patent No. 5,679,940 to Templeton *et al.* (Templeton). Appellants respectfully disagree with the Examiner's rejections for the reasons set forth below.

#### **1. Whether Claims 9-13 Are Properly Rejected Under 35 U.S.C. § 101**

The Examiner rejected claims 9-13 under 35 U.S.C. § 101 as being directed to non-statutory subject matter. Independent claim 9 provides a method for determining the collectability of check writers including, *inter alia*, storing a negative file in a database and modifying the negative file. Claims 10 and 11 depend from claim 9. Independent claim 12 provides a method for determining the collectability of a check writer including, *inter alia*, receiving negative information from a database, processing the information to determine a score, and selectively removing the negative information from the database.

Under the Patent Act, a discovery or invention may be patented, subject to other requirements, if it is a new and useful process, machine, manufacture, or composition of matter. 35 U.S.C. § 101. Process is defined to include a method. 35 U.S.C. § 100. Appellants' methods for determining the collectability of check writers is a new and useful process as defined.

Over the years, courts have restricted the language of 35 U.S.C. § 101 to prevent patenting certain classes of "discoveries." These classes have recently been shrunk by Supreme Court and Federal Circuit opinions to include printed matter, naturally occurring phenomenon, and bare assertions of scientific principles. (See, M.P.E.P. § 706.03(a).) Appellants' method of determining the collectability of check writers is not printed matter, a naturally occurring phenomenon or a mere statement of a scientific principle.

The Examiner has put forth, without citation, the following test for statutory subject matter:

- (1) whether the invention is within the technological arts; and
- (2) whether the invention produces a useful, concrete, and tangible result.

Without agreeing that this is the proper test for statutory subject matter, Appellants believe claims 9-13 meet these two requirements.

Appellants' invention deals with processing checks. Processing checks is unquestionably within the technological arts. More particularly, Appellants' invention deals with determining whether or not a particular check writer is "collectable" by processing information contained in a database. There can be no doubt that database processing, for any reason whatsoever, falls within the technological arts.

Appellants' invention also produces a useful, concrete, and tangible result. In particular, claim 9 produces a modified negative file and claim 12 produces a modified database. The Court of Appeals for the Federal Circuit has stated that "the mere fact that a claimed invention involves inputting numbers, calculating numbers, outputting numbers, and storing numbers, in and of itself, would not render it nonstatutory subject matter, unless, of course, its operation does not produce a 'useful, concrete and tangible result.'" *State Street Bank & Trust Co. v. Signature Financial Group Inc.*, 149 F.3d 1368, 1374 (Fed. Cir. 1998), *cert. denied*, 119 S. Ct. 851 (1999). In *State Street*, the invention accepted only numerical input and produced only numerical results. The Court described the invention thusly:

Today, we hold that the transformation of data, representing discrete dollar amounts, by a machine through a series of mathematical calculations into a final share price, constitutes a practical application of a mathematical algorithm, formula, or calculation, because it produces a "useful, concrete and tangible result" -- a final share price momentarily fixed for recording and reporting purposes and even accepted and relied upon by regulatory authorities in subsequent trades.

*State Street*, 149 F.3d at 1373.

It is difficult to imagine how the financial input and output data in *State Street* is substantially different in kind than Appellants' negative information read from and written to files and databases. Therefore, Appellants' invention produces useful, concrete and tangible results.

The claims in *State Street* were directed to a system. Perhaps, as evidenced by the fact that no § 101 rejection was asserted against Appellants' system claims 14-16, the Examiner believes that the category of a claim has relevance in determining whether or not that claim is statutory under § 101. In *State Street*, the Court indicated that "for the purposes of § 101 analysis, it is of little relevance whether [the claim] is directed to a 'machine' or a 'process'..." *State Street*, 149 F.3d at 1372. The Federal Circuit has further strengthened this concept. "Whether stated implicitly or explicitly, we consider the scope of § 101 to be the same regardless of the form – machine or process – in which a particular claim is drafted." *AT&T Corp. v. Excel Communications, Inc.*, 172 F.3d 1352, 1357 (Fed. Cir. 1999).

## **2. Whether claims 9-16 are properly rejected under 35 U.S.C. § 103(a)**

The Examiner rejected claims 9-16 under 35 U.S.C. § 103(a) as being unpatentable over U.S. Patent No. 5,679,940 to Templeton *et al.* (Templeton). The Examiner's entire basis for rejecting these claims is reproduced as follows:

Templeton discloses, e.g., Figure 1, a method using a computer for determining whether to collect form check writers from data comprising a negative file 85, a positive file 87 and a credit risk scoring algorithm, e.g. cols. 12-14. Templeton does not specifically indicate the negative file 85 is modified by removing the negative information, but does indicate that the negative file is "continuously updated" (col. 12, line 59) and that the positive file 87 is used (col. 13, lines 18-34) to determine suitability of cashing a check. Templeton inherently contains categories to ascertain whether a check will be honored or not. It is common knowledge and well known in the art that negative information, e.g., honest mistakes of an individual and/or banking institution, are removed from ones credit reports when assessing whether or not to cash a check. To have provided a modification of a negative file by removing negative information for Templeton would have been obvious to one of ordinary skill in the art. Doing such would use well known correction factors to provide a more complete and updated database for risk assessment. To have provided the negative file to comprise a scrubbed file would have been obvious to one of ordinary skill in the art as scrubbed files are well known in the art.

**A. Claims 9-13 are patentable over Templeton**

Independent claim 9 provides a method for determining the collectability of check writers. A negative file is stored in a database. The negative file includes information about each of a plurality of check writers. Each check writer is classified into one of a plurality of categories. The negative file is modified by removing the negative information for each check writer classified within a predetermined set of the categories and by retaining the negative information for each check writer not classified within the predetermined set of categories. Each check writer classified within the predetermined set of categories is labeled as collectible and each check writer not classified within the predetermined set of categories is labeled as non-collectible.

Independent claim 12 also provides a method for determining the collectability of check writers. Claim 12 includes, *inter alia*, modifying a negative file by removing negative information for each check writer classified within a predetermined set of the categories and retaining negative information for each check writer not classified within the predetermined set of categories.

The Examiner admits that Templeton does not teach Appellants' invention.

Templeton does not specifically indicate the negative file 85 is modified by removing the negative information, but does indicate that the negative file is "continuously updated" (col. 12, line 59) and that the positive file 87 is used (col. 13, lines 18-34) to determine suitability of cashing a check.

The first passage cited by the Examiner includes column 12, lines 52-60, as follows (emphasis added):

Generally described, the primary function of the check acceptance service's authorization host computer 35 is to effectively differentiate between good and bad checks. To accomplish this, the preferred check acceptance service develops and maintains a variety of resources, including a negative data base 85, positive data base 87, and a sophisticated scoring algorithm or predictive modeling system 90. These resources are on-line, and are continuously updated to accept *real-time check activity*.

The question then arises, what does Templeton teach or suggest as "real-time check activity"? The answer for the negative file can be found in column 13, lines 18-34, as follows (emphasis added):

The host computer 35 then accesses the negative file 85, which contains bad check data that has been accumulated by the check acceptance service. This data may be accessed using the customer's checking account number, drivers license number, or other transaction data. The negative file 85 includes data indicating that previous checks tendered by the customer were returned for some reason, and have not be collected. If the customer's drivers license number or checking account is located in the negative file, the host computer will typically return an authorization indicia to the transaction terminal 15 indicating the check should be declined. *In some cases, the authorization host computer will request additional transaction data from the merchant prior to declining the transaction. Data such as a current phone number, address, etc. may assist the check acceptance service if it is involved in efforts to collect the customer's previous bad checks.*

The real-time check activity information collected for the negative file is used to track down check bouncers. This is not information used to "determine suitability of cashing a check" as asserted by the Examiner. This is not information in any manner relevant to removing negative information about a check writer as claimed by Appellants.

The Examiner's next justification for rejecting Appellants' claims, despite an admitted lack of teaching in his only cited reference, is as follows:

Templeton inherently contains categories to ascertain whether a check will be honored or not.

This may be true, but it has nothing to do with Appellants' invention as claimed. Appellants do not claim using categories to determine whether or not to honor a check. Appellants claim using categories to determine whether or not to remove negative information. These two concepts are totally different, and the first does provide any suggestion for the second.

Finally, the Examiner makes the following unsupported statement:

It is common knowledge and well known in the art that negative information, e.g., honest mistakes of an individual and/or

banking institution, are removed from ones credit reports when assessing whether or not to cash a check.

This statement is false. Anyone who has had a check refused knows that, even if there was an "honest mistake," this mistake is neither detected nor corrected at the time the check is assessed. Such mistakes take telephone calls, letters or personal visits to the banking institution to get the problem fixed – long after suffering the embarrassment of having the check refused.

Templeton neither teaches nor suggests removing negative information from a negative file, for any reason or by any means, let alone by classifying check writers into categories. Further, the Examiner's suppositions and unsupported statements do compensate for the lack of disclosure in Templeton. Therefore, claims 9 and 12 are patentable. Since claims 10 and 11 depend from claim 9 and since claim 13 depends from claim 12, claims 10, 11 and 13 are also patentable.

#### **B. Claims 14-16 are patentable over Templeton**

Independent claim 14 provides a system for determining the collectability of check writers. The system includes a database and a processor. The database contains a negative file having negative information about a plurality of check writers. The processor classifies individual check writers into one of a plurality of predetermined categories. The negative file is modified by removing the negative information of individual check writers classified within a predetermined set of the categories and retaining the negative information of individual check writers not classified within the predetermined set of categories. Individual check writers are classified. Individual check writers within a predetermined set of the categories are labeled as collectible and individual check writers not classified within the predetermined set of categories are labeled as non-collectible.

The Examiner rejected claim 14 using the same argument applied to claims 9 and 12. For the same reasons provided above, claim 14 is patentable. Claims 15 and 16 depend from claim 14 and are therefore also patentable.

Claims 14-16 are appropriate for grouping separately from claims 9-13 because the Examiner did not reject claims 14-16 as claiming non-statutory subject matter. Thus, if the

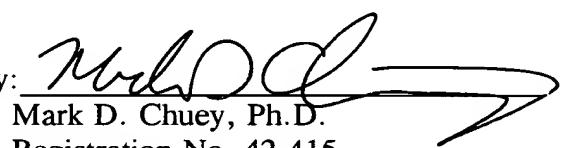
Board finds that the Examiner is correct with regard to the § 101 issue but incorrect with regard to the § 103 issue, claims 14-16 are patentable.

The fee of \$320 as applicable under the provisions of 37 C.F.R. § 1.17(c) is enclosed. Please charge any additional fee or credit any overpayment in connection with this filing to our Deposit Account No. 02-3978. A duplicate of this notice is enclosed for this purpose.

Respectfully submitted,

**CASSANDRA J. MOLLETT et al.**

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Enclosure - Appendix

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**GROUP 3600****IX. APPENDIX - CLAIMS ON APPEAL**

1                   9.       A method for determining the collectability of check writers,  
2       the method comprising:

3                   storing a negative file in a database, the negative file including negative  
4       information about each check writer of a plurality of check writers;

5                   classifying each check writer into one of a plurality of categories;

6                   modifying the negative file by removing the negative information for  
7       each check writer classified within a pre-determined set of the categories and retaining  
8       the negative information for each check writer not classified within the pre-determined  
9       set of categories; and

10                  labeling each check writer classified within the pre-determined set of  
11       categories as collectible and labeling each check writer not classified within the pre-  
12       determined set of categories as non-collectible.

1                   10.      The method of claim 9 wherein classifying each check writer  
2       into one of the plurality of categories comprises:

3                   receiving the negative information from the negative file;

4                   processing the negative information to determine a score for each check  
5       writer based on the negative information; and

6                   classifying each check writer into one of the plurality of categories  
7       based on the score of the check writer.

1                   11. The method of claim 10 further comprising saving the modified  
2                   negative file as a scrubbed file.

1                   12. A method for determining the collectability of a check writer,  
2                   the method comprising:

3                   receiving negative information about the check writer from a database;  
4                   processing the negative information to determine a score;  
5                   classifying the check writer within one of a plurality of categories  
6                   based on the score; and

7                   removing the negative information from the database if the category  
8                   into which the check writer is classified is one of a pre-determined set of categories.

1                   13. The method of claim 12 further comprising saving the negative  
2                   information in a scrubbed file if the category into which the check writer is classified  
3                   is not one of the pre-determined set of categories.

1                   14. A system for determining the collectability of check writers, the  
2                   system comprising:

3                   a database containing a negative file, the negative file including  
4                   negative information of a plurality of check writers; and

5 a processor in communication with the database, the processor  
6 operative to:

7 (a) classify individual check writers of the plurality of check  
8 writers as one of a plurality of pre-determined categories,

9 (b) modify the negative file by removing the negative information  
10 of the individual check writers classified within a pre-  
11 determined set of the plurality of pre-determined categories and  
12 retaining the negative information of the individual check  
13 writers not classified within the pre-determined set of the  
14 plurality of pre-determined categories, and

15 (c) label the individual check writers classified within a pre-  
16 determined set of the plurality of pre-determined categories as  
17 collectible and labeling the individual check writers not  
18 classified within the pre-determined set of the plurality of pre-  
19 determined categories as non-collectible.

- 1                   15. The system of claim14, the processor further configured to:
  - 2                   receive the negative information of the individual check writers from
  - 3                   the negative file;
  - 4                   determine scores of the individual check writers based on the negative
  - 5                   information; and

6 classify the individual check writers as one of the plurality of pre-  
7 determined categories based on the scores of the individual check writers.